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Tripoli 1988 8-21-70

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ACTION AF-05

INFO OCT-01 SS-20 EUR-12 NSC-10 NSCE-00 INR-06 CIAE-00

NSAE-00 L-02 E-04 RSR-01 RSC-01 /062 W
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P R 211032Z AUG 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC PRIORITY 6769
INFO USINT ALGIERS
AMEMBASSY BENGHAZI
AMEMBASSY LONDON
AMEMBASSY PARIS

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CJ DATE 8/7/81
PORTIONS DENIED AS INDICATED

C O N F I D E N T I A L TRIPOLI 1988

LIMDIS

AF/N FOR AMBASSADOR PALMER

SUBJECT: POSTED PRICE NEGOTIATIONS

REF: TRIPOLI 1964

1. JERSEY REPS, HERE WITH ESSO FOR PAST SEVERAL WEEKS HAVE DEPARTED FOR NEW YORK WITHOUT MEETING AGAIN WITH DEPUTY PRIME MIN JALLUD OR OTHER LARG OFFICIALS. IN RESPONDING TO MAGHRABI COMMITTEE'S DEADLINE OF AUGUST 20 FOR SUBMISSION OF NEW PRICE PROPOSAL OXY TOLD COMMITTEE MEMBER MUNTASIR IT HAS NOTHING FURTHER TO OFFER AND THAT, SINCE LAST PROPOSAL REJECTED,

OXY CONSIDERS IT HAS NOTHING ON THE TABLE. BOTH COMPANIES BRIEFED OTHER MANAGERS AT INDUSTRY MEETING THIS MORNING (AUGUST 21), AMID DEEPENING DOUBTS THAT NEGOTIATED SETTLEMENT OF PRICE ISSUE IS POSSIBLE.

(1) 2. ROLE OF JALLUD, WHO HAS APPEARED TO BE HIGH-LEVEL FORCE FOR FLEXIBILITY AND SETTLEMENT BY NEGOTIATION, AND HAD BECOME COMPANIES DIRECT LINK TO RCC, NOW SEEMS OBSCURE. AFTER ARRANGING TO MEET WITH JERSEY'S PIERCY AND ESSO REPS ON AUGUST 19 TO

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PURSUE DISCUSSION OF TERMS FOR RELEASING LNG EXPORTS, JALLUD SENT WORD LNG PROBLEM WOULD BE HANDLED ONLY AFTER PRICE SETTLEMENT REACHED. OXY, WHICH HAS WELL-ESTABLISHED CHANNEL, ALSO HAS BEEN UNABLE TO MEET WITH JALLUD IN PAST FEW DAYS - BEING TOLD ONLY THAT HE IS "STUDYING PRICE MATTER." COMPANIES SPECULATE JALLUD HAS BEEN DIVERTED FROM PATH OF NEGOTIATION EITHER BY BEING CONVINCED AGAIN THAT COMPANIES' OFFERS ARE NOT IN NEGOTIABLE RANGE, OR THAT HE IS BEING FORCED BY RCC POLITICS TO WITHDRAW FROM ACTIVE ROLE IN OIL NEGOTIATIONS.

3. BOTH ESSO AND OXY ARE RETURNING TO VIEW THEY HELD SEVERAL MONTHS AGO THAT LARG WILL NOT BE CONVINCED IT HAS WRUNG ALL IT CAN FROM COMPANIES UNTIL AFTER SOME UNILATERAL ACTION HAS BEEN TAKEN WITHOUT AFFECTING COMPANIES' POSITION ON PRICES. BOTH ALSO BELIEVE THAT, AS THEY HAVE MADE PROPOSALS IN 18-23 CENT RANGE SAID BY PETROLEUM MINISTRY OFFICIALS TO BE AREA IN WHICH SETTLEMENT COULD BE REACHED, LARG HAS RAISED ITS MINIMUM OBJECTIVE TO 25-35 CENT RANGE WITH SOME RETROACTIVITY AND NO GIVE ON OTHER

ISSUES. AT INDUSTRY MEETING IN TRIPOLI TODAY, AND WE UNDERSTAND ALSO LATER IN NEW YORK, ESSO IS TELLING OTHER COMPANIES THAT, IF THEY HAVE PROPOSALS TO MAKE TO LARG, THEY SHOULD NO LONGER WAIT FOR ESSO'S LEAD. [redacted] DESCRIBED SITUATION TO PET OFF AS "GRIM." [redacted] MADE POINT THAT IF DEPARTMENT WISHES COMPANIES' ANALYSIS FIRST HAND, IT SHOULD CONTACT ESSO MIDDLE EAST'S GREENWALD WHEN HE RETURNS TO HIS OFFICE AUGUST 24. B4

4. COMMENT: HAVING BEEN REBUFFED AFTER RAISING THEIR OFFERS TO RANGE IN WHICH THEY WERE LED TO BELIEVE LARG WOULD NEGOTIATE, COMPANIES NOW SEEM TO TAKE POSITION THAT REALISTIC COUNTER PROPOSAL MUST BE MADE BY LARG BEFORE THEY WILL MOVE AGAIN. OXY

SAYS IT HAS GONE AS FAR AS IT CAN IN ANY CASE, WHILE ESSO INDICATES

IT STILL HAS SOME FLEXIBILITY WHICH IT WOULD NOT USE UNLESS AGREEMENT APPEARS CERTAIN. IF INFLEXIBLE ELEMENTS WITHIN LARG, TYPIFIED BY MAGHRABI, HAVE UPPER HAND, AS NOW APPEARS TO

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BE CASE, FURTHER MOVEMENT BEFORE SEPTEMBER 1 ANNIVERSARY OF REVOLUTION IS UNLIKELY.
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